

FISCAL NOTE
SB 1001 - HB 1339

April 21, 2003

SUMMARY OF BILL: Requires the TennCare Bureau to maintain and implement a process for managing the drug therapies of recipients who use significant numbers of prescribed drugs. The bureau could contract with a private organization to provide drug-program management services. The bureau could place limits on quantities dispensed or the frequency of refills for any covered drug to prevent fraud, abuse, waste or overutilization. However, the bureau would not be allowed to limit or restrict access to legend drugs when used as approved by the FDA to treat mental illness, HIV or AIDS. The bureau could impose monthly prescription limits on recipients who are using nine or more prescribed drugs per month with a prior approval procedure.

Under this bill, the TennCare Bureau would:

- Administer the pharmacy program in a manner which qualifies for the greatest rebates.
- Limit reimbursement for a prescription to the multisource generic equivalent drug whenever such equivalent net price is cheaper.
- Implement a state maximum allowable cost list for prescription drugs.
- Establish a pharmacy and therapeutics committee.
- Establish a single statewide uniform formulary.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - Exceeds \$1,000,000

Decrease State Expenditures - Exceeds \$50,000,000

Increase State Revenues - Exceeds \$1,000,000

Other Fiscal Impact - Decrease Federal Expenditures - Exceeds \$100,000,000

Assumes:

- the state would hire a pharmacy benefits manager to implement the carve out with an increase in expenditures.
- an increase in state revenues from drug rebates.
- a decrease in drug expenditures in the TennCare program due to decreased utilization and greater use of lower cost drugs.
- a decrease in the cap rate paid to MCOs to reflect the carve out of all drug expenditures.

The total net decrease in state and Federal expenditures will depend upon the ability to control drug utilization and to increase rebates. According to the Bureau of TennCare, they have estimated savings of \$150,000,000 in FY03-04 based implementation of a preferred drug list.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director